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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 04/10/08

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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, April 9

NIKKEI (Page 2) (Full)  
April 10, 2008

Morning  
Stayed at Kantei residence.

12:16  
Met with Deputy Chief Cabinet Secretary Futahashi at Kantei.

13:42  
Met with Chief Cabinet Secretary Machimura.

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15:00  
Had a one-on-one debate in Diet.

16:18  
Met with Chairperson Sata of the ruling bloc's project team on reform of public cooperation under the control of the Ministry of Land, Infrastructure and Transportation, and LDP Policy Research Council Chairperson Tanigaki and junior coalition New Komeito's Policy Research Council Chairperson Saito. Tanigaki and Saito remained. Afterwards, met with Futahashi.

17:09  
Met with Minister of Internal Affairs and Communications Masuda, Secretary General Miyawaki of the Committee on Promotion of

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Decentralization of Authority, and Deputy Assistant Chief Cabinet Secretary Saka, joined by Secretary General Nakajima of the Office

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for Revitalization of Local Areas.

17:38  
Met with BOJ Governor Shirakawa. Issued a letter of appointment to National Personnel Authority President Tani with Machimura and Finance Minister Nukaga and others also present. Afterwards, met with State Minister in Charge of Economic and Fiscal Policy Ota.

18:40  
Dined with Nippon Keidanren Chairperson Mitarai, and its Vice Chairpersons Kusakari and Cho at "Le Trianon" at Grand Prince Hotel Akasaka.

20:14  
Arrived at Kantei residence.

4) Fukuda blasts DPJ as "abusing power" in one-on-one Diet debate session

MAINICHI (Top Play) (Full)  
April 10, 2008

Prime Minister Yasuo Fukuda and Democratic Party of Japan (DPJ) leader Ichiro Ozawa held their first one-on-one debate session in the current Diet session yesterday. Taking up the DPJ's rejection of the government's nomination of Hitotsubashi University Professor Hiroshi Watanabe, a former vice finance minister for international affairs, for the post of the Bank of Japan (BOJ) deputy governor, Fukuda criticized the main opposition party as "abusing power." Ozawa refuted: "We must end the practice of reserving (senior BOJ posts) for the Finance Ministry."

Although there was no question on it from Ozawa, Fukuda brought up

the central bank personnel issue. He said: "Is it totally unacceptable for former bureaucrats to assume the posts?" He went on to say: "It is in accordance with the Diet personnel appointment system to approve the government's nominations as long as they are not improper."

Ozawa replied: "Among the BOJ top posts, there is one set aside for the Finance Ministry. We must change such a structure based on vested interests." In response to Fukuda's criticism of the party as "abusing power," Ozawa said: "You are not fully aware of what happened in the (House of Councillors) election last year."

In reference to the prime minister's proposal for shifting

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road-related tax revenues to the general budget starting in FY2009, Ozawa said: "We cannot discuss the proposal before the government and the ruling coalition formally endorse it," calling for proper procedures to be taken in the party before the ruling and opposition camps start negotiations.

Although Fukuda emphasized: "The party has also agreed on the proposal," he indicated his willingness to form an agreement by the government and the ruling parties, remarking: "As you insist that the government and the ruling camp form an agreement, I will do that as soon as possible."

Fukuda also questioned Ozawa's leadership in the DPJ, saying: "Who is the trustful person to whom I can talk?"

5) Seven DPJ lawmakers defy party policy, as sparks fly over Ozawa's management of party affairs; Rebellion against Ozawa growing

MAINICHI (Page 2) (Full)  
April 10, 2008

The government's plan to appoint Hiroshi Watanabe, a former vice-foreign minister for international affairs, as a Bank of Japan deputy governor failed to win the House of Councillors' approval yesterday, with the opposition camp voting down the government's nomination for the third consecutive time. The fight over the government's nomination also exposed discontent in the Democratic Party of Japan (DPJ) toward President Ichiro Ozawa, with seven DPJ members defying the party's decision or abstaining from the vote. If one DPJ-affiliated independent lawmaker is included, a total of eight, twice the number defied party policy than in the previous vote. One lawmaker criticized the party policy as a decision that only focused on forcing Lower House dissolution. The growing rebellion against President Ozawa, the sole determiner of DPJ policy, has created a difficult challenge for his management of party affairs.

Yasuhiro Oe, who voted in favor of Watanabe's appointment, later told the press: "The party decision is strange. President Ozawa is fixated on something." Hideo Watanabe, too, insisted that the policy would not lead to Ozawa's goal of taking power, saying, "Questions will emerge about entrusting the DPJ with the helm of government."

This was the third time for a vote to be taken on BOJ posts in the ongoing Diet session. In addition to the growing number of DPJ rebels, the gap between approval and disapproval votes has been shrinking because the People's New Party, which forms a joint parliamentary group with the DPJ, has supported the government's nomination since the second vote.

Seiji Maehara, who followed the party line in voting, also noted, "In my heart, I wanted to vote for the candidate. The party has decided to oppose (the government plan) in defiance of the predominant view in the party to endorse it. I think this has resulted in strong discontent in the party."

Ozawa rebutted such a view in a press conference yesterday: "An organization exists to iron out differences in opinion. It is natural to make a decision through an organizational process." At the same time, a lawmaker, who had abstained from the vote, noted, "Huge damage has been done. The situation is not good this time

around."

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6) New BOJ Governor Shirakawa: "I'll endeavor to fulfill my mission"

ASAHI (Page 1) (Full)  
April 10, 2008

Masaaki Shirakawa (58), deputy governor of the Bank of Japan (BOJ), was approved as the 30th BOJ governor yesterday. At his inaugural press conference late yesterday, Shirakawa said: "As the international monetary market has been wavering since last summer, I'd like to pay close attention to it. I want to have more occasions to closely exchange views with leaders of banking institutions."

Shirakawa was unusually promoted from the deputy governor after serving in the post for 21 days to the top BOJ post. He was the third candidate nominated by the government after the government's first and second candidates were both rejected in the Diet. At the press conference, Shirakawa said, "It is an unexpected honor to be appointed to this post. I am perplexed by the rapidly changing situation," and went on to say. "I will devote myself to fulfilling the Bank of Japan's mission of keeping prices stable and maintaining orderly credit conditions."

The BOJ's policy board consists of nine members, but two posts are vacant, as one deputy governor and one council member have yet to be appointed. Speaking of this situation, Shirakawa noted: "This is an unusual situation. I hope those who are suitable for the posts will be appointed swiftly. It is my responsibility to stem any negative effect of these vacancies on the BOJ's operations."

Shirakawa will make his debut at the upcoming Group of Seven (G-7) Finance Ministers and Central Bank Governors meeting in Washington slated for tomorrow. High on the agenda for that conference is how to deal with the currently chaotic international monetary market. Shirakawa said: "I have no silver bullet, but I'd like to explain my experience (for I as a senior BOJ official tackled Japan's banking crisis) on the side of the supply of liquidity."

7) Coordination underway in six-party talks for breaking stalemate; U.S. Assistant Secretary of State Hill says, "More time is necessary for final resolution"

NIKKEI (Page 8) (Excerpts)  
April 10, 2008

Ken Sato, Beijing

The member nations of the six-party talks on the North Korean nuclear issue yesterday undertook coordination in Beijing to break the stalemate in the second stage of nuclear abandonment. They seemed to have coordinated the differences of opinions with the U.S. and North Korean chief delegates to the multilateral talks on April 8 reaching a compromise on the contents of a nuclear program declaration, which has been set as the feature of the second stage. U.S. Assistant Secretary of State Christopher Hill, chief negotiator in the six-party talks, highlighted progress in the situation, but he told reporters at the same time: "It will take time before we reach a final settlement."

Hill met separately with his Japanese, Chinese, and South Korean counterparts in the six-party talks in Beijing. He briefed them on

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the results of his meeting with North Korean Vice Foreign Minister Kim Kye Gwan, North Korea's chief delegate to the six-party talks. Hill told them: "(U.S.-North Korea talks) made progress." Speaking of future developments, Hill hinted that some kind of announcement might be made "in a few days," but he added: "I am reluctant to say we made a big breakthrough." The same day, U.S. White House Press Secretary Dana Perino indicated that the U.S. would carefully

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proceed with coordination," telling the press, "I'd like you to refer you to Mr. Hill's remarks."

8) Tokyo alarmed by possibility of Washington's delisting DPRK as state sponsor of terrorism, keeps tab on what decision Washington will make

NIKKEI (Page 8) (Full)  
April 10, 2008

The government, having been briefed on the results of the April 8 U.S.-North Korea talks, intends to carefully examine whether the expected nuclear program declaration will be complete and accurate. But Japan has decided to extend the currently-imposed economic sanctions against North Korea, which are to expire on April 13, for another half year as scheduled because there has been no progress seen on the abduction issue. Japan, however, is wary of Washington's accelerating the move to delist North Korea as a state sponsor of terrorism and intends to watch carefully what decision the U.S. will make.

At a news conference yesterday, Ministry of Foreign Affairs' (MOFA) Press Secretary Kazuo Kodama, when asked about the contents of a nuclear program declaration, made this comment: "We will judge after carefully examining it (about whether it is commendable)." MOFA Asian and Oceanian Affairs Bureau Director-General Akitaka Saiki, who returned home (from Beijing) yesterday, is likely to make a report to the Prime Minister's Official Residence possibly today on the results of the Beijing meeting.

On the question of whether to remove North Korea from the list of state sponsors of terrorism, Japan so far has asked the United States not to delist it as long as there is no progress on the abduction issue. MOFA will carefully watch what decision the U.S. will make as it positively thinks that the U.S. has understood fully Japan's position, as Saiki put it.

9) Former Prime Minister Abe's wife, Akie to meet Dalai Lama today

SANKEI (Page 5) (Excerpts)  
April 10, 2008

It was learned yesterday that former Prime Minister Shinzo Abe's wife, Akie, will meet today the 14 Dalai Lama, who is on his way to the United States. Meanwhile, in consideration of China, which has criticized Tibet's exiled spiritual leader for riots in Tibet, Foreign Ministry spokesman Kazuo Kodama stated: "The government on its part has no plan to have any contact with him." The planned meeting between the former First Lady and the Dalai Lama appears to be appealing Japan's position of not playing down the human rights issue to the world.

The meeting reportedly was arranged through the government of India where the Dalai Lama has been living in exile. It was not arranged by the Japanese government. Referring to the Tibetan riots in his

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meeting on March 18 with Pema Gyalpo, professor at Toin University of Yokohama, who served as the first Liaison Officer of H.H. the Dalai Lama for Japan, former Prime Minister Abe indicated his intention to work on the Chinese side, saying: "I want to make efforts so that the human rights of the Tibetan people will be secured."

10) Fukuda: China bears the most responsibility for Tibet issue

YOMIURI (Page 2) Full)  
April 10, 2008

In the party-heads debate yesterday, Prime Minister Fukuda, referring to the Tibetan issue said: "I think that China bears the most responsibility, but I hope the nation will peacefully settle the issue by talks in a cool-headed manner." This was the first time for the prime minister to criticize China for its response measures

over the Tibet issue. A number of countries have announced they would boycott the opening ceremony of the Beijing Olympics. On this, Fukuda said: "The Chinese government should make efforts so that all athletes will be able to take part without any trouble."

#### 11) Ishiba gives up U.S. visit

ASAHI (Page 4) (Full)  
April 10, 2008

Defense Minister Ishiba has given up his plan to visit the United States and meet with U.S. Secretary of Defense Gates in early May, sources revealed yesterday. It is unusual that a defense chief's U.S. visit itself has been called off in spite of an almost determined schedule. Ishiba is believed to have decided to cancel the visit primarily because the Japanese and U.S. governments differed on what to take up in their meeting.

Ishiba chose the United States as the first foreign country to visit after becoming defense minister, according to sources familiar with Japan-U.S. relations. His meeting with Gates had been set to take place in Washington on the afternoon of May 5 through intergovernmental coordination. Tokyo and Washington made behind-the-scenes arrangements on what to take up for the meeting. Tokyo proposed discussing an outline of the bilateral security alliance, such as the big picture of U.S. force realignment in Japan and the future of bilateral security arrangements. However, Washington proposed discussing specific issues regarding the realignment of U.S. forces in Japan, such as the planned relocation of Futenma airfield and the planned relocation of 8,000 Marines from Okinawa to Guam.

On the issue of Futenma relocation, Okinawa has been calling for Futenma airfield to be relocated to an offshore site, while the government plans to build a land-based facility. Meanwhile, the Defense Ministry's environmental impact assessment has been delayed. Futenma relocation is set for 2014. This timetable, however, is now uncertain. The Pentagon wants to see concrete progress during the Bush administration's term. The Defense Ministry became increasingly negative about Ishiba's U.S. visit. "Even if he visits the United States now, it looks like he will have to receive a warning over there," one of the ministry's senior officials said.

"The Diet schedule is tight," a top-level official of the Defense Ministry noted. "In addition," the official said, "there was an

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Aegis ship accident, so our crisis management ability is now being called into question." The official added, "We need to consider how much we can expect when he visits the United States."

#### 12) Futenma relocation: Gov't shelves problems, progress played up

MAINICHI (Page 5) (Full)  
April 10, 2008

The government held a consultative meeting yesterday at the prime minister's office with officials from Okinawa's prefectural and municipal governments to discuss the pending issue of relocating the U.S. Marine Corps' Futenma Air Station to a coastal area of Camp Schwab in Okinawa Prefecture's northern coastal city of Nago. The meeting, however, was ceremonial in a way to 'stage-manage' a show of progress in the government's stalemated consultations with Okinawa while shelving Okinawa's call for revising the alternative facility plan.

Public sentiment has gone from bad to worse due to a recent sequence of incidents brought about by U.S. military personnel. Meanwhile, the House of Councillors in the Diet has now disapproved a government-proposed special agreement on Japan's burden sharing of costs for the stationing of U.S. forces in Japan (omoiyari yosan or literally "sympathy budget"). As a result, the government cannot execute the sympathy budget for the first time. The bilateral alliance is now in a deteriorated environment. As it stands, the government is becoming nervous since it does not want the planned realignment of U.S. forces in Japan to hit the snag.

In yesterday's meeting, the government appreciated Okinawa for its stance of cooperating on an environmental impact assessment of the relocation site and its environs. "We will have to coordinate the framework of consultations," Okinawa Gov. Hirokazu Nakaima said, suggesting the need for the government and Okinawa to set up a panel of working-level officials. However, the government avoided giving a definite answer.

The biggest bottleneck to Futenma relocation is the government's authority over sea reclamation. Nakaima is expected to be urged to make a decision around the summer of next year on whether he will actually approve the government's reclamation plan. For the time being, all the government can do is to keep up its consultations with Okinawa while avoiding confrontation with Okinawa's base-hosting localities.

13) Nakaima calls for working-level venue to revise Futenma plan

YOMIURI (Page 4) (Full)  
April 10, 2008

The consultative council to discuss the planned relocation of Futenma Air Station between the government, Okinawa, and four affected municipalities met for the seventh time at the Prime Minister's Office (Kantei) yesterday. In the session, the Okinawa side called for establishment of a working-level venue for revising the government's relocation plan. In response, Chief Cabinet Secretary Nobutaka Machimura indicated that the government would

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consider it positively, saying: "We would like to consider it thoroughly. We would like to make efforts in order to realize the relocation at an early time."

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14) Nakaima calls for theme-specific discussions on Futenma relocation

ASAHI (Page 4) (Full)  
April 10, 2008

The consultative council between the government and relevant municipalities in Okinawa to discuss the planned relocation of Futenma Air Station met at the Prime Minister's Office (Kantei) yesterday. In the session, the Okinawa side renewed its call to move the planned replacement base in the Henoko district in Nago further offshore. No conclusion was reached.

Governor Hirokazu Nakaima called for the creation of venues to deepen discussion by theme, such as moving the replacement facility further offshore and eliminating the dangerous nature of Futenma Air Station, saying: "Clear directions must be shown for realizing a variety of requests, such as moving the planned base further offshore."

In response, Minister of State for Okinawa and Northern Territories Fumio Kishida showed understanding, but Chief Cabinet Secretary Nobutaka Machimura simply said, "We would like to consider it for the next meeting."

15) Gas prices drop by 21.7 yen over a week since end of March

YOMIURI (Page 2) (Full)  
April 10, 2008

The Oil Information Center (OIC) on April 9 released the average price of regular gasoline at the pump as of the 7th. The price of regular gasoline per liter dropped to 131.2 yen, down 21.7 yen, compared with the level on March 31 before the expiry of the provisional gas tax rate. Compared with the level of the 3rd, when a special price survey was conducted, there was a drop by 3.1 yen. Looking at prices by region, Shikoku saw the largest margin of a drop per liter, compared with the level of March 31. The margin of a drop expanded to 23.9 yen on the 7th.



The gas tax is imposed when products are shipped from oil factories. Many gas stations had stocks of gasoline shipped in March with the old tax rate imposed. However, according to the OIC, many gas stations as of the 7th found it easier to lower gas prices with those stockpiles sold out. Regarding future prices, the OIC has predicted that there is the possibility of gas prices further falling in Saitama and Chiba, where price competition is usually fierce.

16) Government, ruling parties agree to comply with DPJ's request to adopt reallocation of special-purpose road construction revenues to general account as their consensus

YOMIURI (Page 2) (Full)  
April 10, 2008

The government and the ruling parties yesterday decided to formally adopt on April 11 Prime Minister Fukuda's proposal, made on March 27, for shifting special-purpose road construction revenues to the general account as a consensus between them. They made the decision in order to respond to the Democratic Party of Japan's (DPJ or Minshuto) call on the government and the ruling parties to make a

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clear-cut decision on the matter as a premise for it to enter into talks between the ruling and opposition camps on road funds.

DPJ President Ozawa during a press conference on the 9th noted, "If a cabinet decision and a party decision are reached on this issue, we would enter into talks. There will be no talks, if the government and the ruling parties do not make that decision."

Prime Minister Fukuda yesterday evening told reporters at the Prime Minister's Office (Kantei), "It is possible for the government and the ruling parties to reach a consensus, after each ruling party reaches a party decision. It would not take much time to do so."

The government has indicated that there would be no cabinet decision on the matter for the time being with one noting, "The prime minister's proposal is a rough outline. It is not a bill." However, if the situation remains unattended, the DPJ would not respond to its call for talks. The government and the ruling parties have, therefore, decided to announce that the decision to adopt the prime minister's proposal as their consensus is their formal policy.

However, Election Committee Chairman Koga, a coordinator of the Liberal Democratic Party's (LDP) road policy clique in the Diet, sought a cautious approach from Secretary General Ibuki, noting, "If we go any further on the issue, those who have supported the administration will turn against it." As such, a plan to reach the decision at a meeting of related cabinet ministers or senior ruling party officials without going through intraparty procedures has been floated.

17) Total amount of M&As in fiscal 2007 involving Japanese companies drop 30 PERCENT due to subprime mortgage crisis

MAINICHI (Page 8) (Full)  
April 10, 2008

A survey conducted by Recof, an M&A service company, has found that the total amount of mergers and acquisitions (M&As) in fiscal 2007 involving Japanese companies stood at 10.1099 trillion yen, down 28.2 PERCENT, compared with the previous year. A decline in money terms is the first in five years. The reason for the drop is ascribable to such factors as companies finding it difficult to procure capital to carry out an M&A, since banks have become cautious about extending loans following the turmoil in the financial market caused by the subprime mortgage fiasco.

Recof explained that though the amount increased in the first half of fiscal 2007 at a pace faster than the preceding year, it dropped more than 45 PERCENT in the second half of the year. The number of M&As in that year stood at 2,616, down 4.3 PERCENT, compared with the year before.

It had been expected that M&As in fiscal 2007 would increase, following the lifting of a ban on triangular mergers, a method of foreign companies acquiring Japanese companies through share swaps using their parent companies' stocks. However, an increasing number of companies switched to a cautious stance in managing their companies with the escalation of the subprime mortgage crisis compounded by uncertain economic prospects.

The M&A involving the largest amount of money in fiscal 2007 was the acquisition of MGI Pharma, a pharmaceutical company listed on the

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U.S. NASDAQ, by Eizai with 433.7 billion yen. The second largest case was the purchase of Kyowa Hakko Kogyo by Kirin Holdings with 415.8 billion yen.

18) Ambassador to U.S. Kato to become baseball commissioner

YOMIURI (Page 1) (Slightly abridged)  
April 10, 2008

It has now become certain that Ryoza Kato, 66, who will soon resign as ambassador to the United States, will become the Nippon Professional Baseball commissioner. The NPB has singled Kato out for the commissioner's post because he knows so much about U.S. Major League Baseball and Japanese baseball. He is expected to assume the post after his nomination is approved in an executive committee meeting and owners' conference in June. Acting Commissioner Yasuchika Negoro, 75, will step down from his current post on June 30. Kato is expected to take the position on July 1.

Kato threw out the opening ball at a game between the Yankees and the Mariners in May 2004. Hideki Matsui and Ichiro were playing in the game. In January 2006 immediately before the World Baseball Classic, Kato invited Japanese Team Manager Sadaharu Oh and the all-time home run champion Hank Aaron to the Japanese Embassy.

19) Kaoru Yosano to publish book for first time

SANKEI (Page 5) (Full)  
April 10, 2008

Former Chief Cabinet Secretary Kaoru Yosano, 69, a member of the ruling Liberal Democratic Party, will publish next week his first book, titled "Proud Politics (Dodotaru Seiji) (Published by Shincho Shinsho). In the book, Yosano emphasizes that politicians' job is to make big decisions at risk of their lives and that he no longer needs to court public favor. He also mentions many times in the book the need for a consumption tax hike, which is his pet argument. There is a rumor in the capital district of Nagatacho that the book may be a set of campaign pledges for the election to pick a successor to Prime Minister Yasuo Fukuda.

Meantime, Yosano writes that former LDP Secretary General Hidenao Nakagawa's assertion that revenues should be increased by economic growth is a cowardly stance and a prime example of evasive politics. Referring to those who promoted "a small government," including former Internal Affairs and Communications Minister Heizo Takenaka, Yosano says that labeling those having a different national policy as "forces of resistance" is shameful. He advocates that he will push forward with "warm reforms" combined with promotion of increased competitiveness and the "bringing the country together."

MESERVE